

United States District Court
Northern District of California

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

SEBASTIAN BROWN PRODUCTIONS
LLC,

Plaintiff,

v.

MUZOOKA INC., et al.,

Defendants.

Case No. 15-CV-01720-LHK

**ORDER GRANTING DEFENDANT’S
MOTION TO DISMISS WITH
PREJUDICE**

Re: Dkt. No. 68

Plaintiff Sebastian Brown Productions, LLC (“Plaintiff”) sues Defendant Muzooka, Inc. (“Muzooka” or “Defendant”) for unfair competition and trademark infringement under federal and state law. ECF No. 65 (First Amended Complaint, or “FAC”). Before the Court is Defendant’s motion to dismiss, and, in the alternative, for judgment on the pleadings. ECF No. 68. As explained below, the Court construes this motion as a motion to dismiss. Having considered the submissions of the parties, the relevant law, and the record in this case, the Court hereby GRANTS Defendant’s motion to dismiss with prejudice.

I. BACKGROUND**A. Factual Background****1. Plaintiff's Business and Trademark**

Plaintiff is a California limited liability company headquartered in Livermore, California. FAC ¶ 1. Plaintiff owns and operates the digital media storefront MuZook at muzook.com. *Id.* Plaintiff aims to create “a new and unique art form in multi-media books, multi-media audio, and/or audiovisual works,” including e-books, multi-media songs, short films, music videos, and animated short and feature films together with streaming live or recorded audio and video. *Id.* ¶ 8. Through MuZook, Plaintiff advertises and sells downloadable music, videos, and books. *Id.* ¶ 9. Plaintiff's e-book has also been available for purchase on Apple's iTunes App Store since November 8, 2015. *Id.* ¶ 17. Additionally, MuZook has an “artists' collaboration program . . . to promote cooperation among various creative artists” in making “literature, music, video, movies, soundtracks, e-books, concerts and other forms of entertainment.” *Id.* ¶¶ 7, 10. Plaintiff plans to sell the multimedia produced by the artists' collaboration program on muzook.com. *Id.* ¶ 7.

Plaintiff's sole owner, the individual J. Michael Miller (“Miller”), applied for the “Muzook Mark” under an “intent-to-use” application filed September 12, 2011. FAC Exs. A, G. Such an application permits an applicant with a bona fide intention to use a mark to effectively reserve the mark and establish a constructive priority date before the mark is actually used in commerce. 15 U.S.C. §§ 1051(b), 1057(c). To complete registration, an intent-to-use applicant must file an allegation of use indicating that the mark has been used in commerce. *Id.* § 1051(b)–(d). Miller's intent-to-use application sought to register the Muzook Mark for, among other similar services, “collaboration services delivered over the Internet and/or over another publicly accessible network; collaboration services for enabling persons such as writers, musical artists and illustrators to collaborate with each other over a publicly accessible network; collaboration services for enabling persons such as writers, musical artists and illustrators to collaborate with each other to create works incorporating multiple media elements such as narrative textual content, music and illustrations in works of fiction and non-fiction.” FAC ¶ 11.

On October 1, 2011, Miller assigned “[Miller’s] entire right title and interests in and to the trademarks identified in Schedule A attached hereto (the “Marks”), together with that part of [Miller’s] business to which the Marks pertain, which business is ongoing and existing, the goodwill of the business symbolized by the Marks, and all registrations and applications therefor.” FAC Ex. C. “Schedule A” of the assignment lists only the Muzook Mark intent-to-use application. *See id.* Miller’s assignment to Plaintiff included “any renewals, divisionals and extensions of the registrations or the applications.” *Id.* Shortly after the assignment, on December 19, 2011, Miller filed a patent application for a “system and method for the provision of multimedia materials,” which specifically uses the word “Muzook” in an exemplary webpage illustrating the functioning of Miller’s system. ECF No. 72. The U.S. Patent and Trademark Office (“PTO”) issued Miller U.S. Patent No. 9,171,179 for this system. *Id.*

On August 30, 2013, the PTO granted a request to divide Plaintiff’s intent-to-use application into two applications: (1) a “parent” application, serial number 85/420,834, which contained services for which Plaintiff did not claim Muzook was in use;¹ and (2) a “child” or “divisional” application, serial number 85/980,000, which contained services for which Plaintiff did claim the mark was in use. *Id.* ¶ 16; RJN Ex. B. Specifically, the child application sought to register the Muzook Mark for “collaboration services, namely, telecommunication access services which allow parties to view, adapt, and share materials such as narrative textual content, music and illustrations in works of fiction and non-fiction to enable persons such as writers, musical artists and illustrators to collaborate with each other within or across disciplines to compare work over a publicly accessible network to compose e-books and works incorporating multiple media elements such as narrative textual content, music and illustrations in works of fiction and non-

¹ These services included, among others: “collaboration services delivered over the Internet and/or over another publicly accessible network; collaboration services for enabling persons such as writers, musical artists and illustrators to collaborate with each other over a publicly accessible network; collaboration services for enabling persons such as writers, musical artists and illustrators to collaborate with each other to create works incorporating multiple media elements such as narrative textual content, music and illustrations in works of fiction and non-fiction.” ECF No. 69 (Defendant’s Request for Judicial Notice, or “RJN”) Ex. B.

fiction for electronic devices such as smartphones, computers, e-readers, touchscreen computers, and tablets.” RJN Ex. B.

Based on a statement of use filed August 21, 2013,² the child application matured in to U.S. Trademark Registration Number 4,419,977 on October 15, 2013. FAC Ex. B (registration); RJN Ex. C (statement of use). The first use in commerce of the Muzook Mark was recorded as August 14, 2013. FAC Ex. B. As noted above, Plaintiff has “for several years” used the Muzook Mark in connection with the MuZook digital storefront and associated downloadable products, business promotion activities, and collaboration services. *Id.* ¶ 7, 14, 17–18. By contrast, Plaintiff never filed a statement of use for the parent application. The parent application thus remained an intent-to-use application, and is now abandoned. *See* Opp. at 8; 15 U.S.C. § 1051(d)(2) (limiting time to file a statement of use).

On December 7, 2015, Miller confirmed the October 1, 2011 assignment of the Muzook Mark to Plaintiff. ECF No. 84 (Corrected Exhibit D to the FAC). Miller also executed another assignment of the Muzook Mark to Plaintiff, “[t]o the extent that any rights related to the Mark were not transferred by the October 1, 2011 assignment.” *Id.*

2. Defendant’s Business and Trademark

Plaintiff alleges that Defendant infringes Plaintiff’s Muzook Mark through Defendant’s use of the confusingly similar “Muzooka” trademark. Defendant, a Delaware corporation, operates the website muzooka.com as well as a dedicated mobile app called Muzooka. *Id.* ¶¶ 2, 20–21. Defendant’s website and mobile app allow users to stream audio in the form of music playlists or individual tracks, and offer “interactive capabilities” for sharing listening activity through social media. *Id.* ¶ 20. The website and app also allow users to browse artist biographies, view art in connection with those biographies, and purchase select tracks. *Id.* Additionally, Defendants operate “Muzooka” Twitter, Facebook, and Tumbler accounts in connection with the

² The prosecution history of the Muzook Mark indicates that statements of use were also filed on July 14 and 18, 2013. RJN Ex. A. The contents of these statements of use are not in the record. However, given that the PTO lists August 14, 2013 as the first use in commerce of the Muzook Mark, it is clear that the PTO relied on the statement of use filed on August 21, 2013.

website and mobile app. *Id.* ¶¶ 20, 23–24.

Muzooka filed for the “Muzooka Mark” on December 19, 2011. *Id.* ¶ 25, Ex. O. The PTO registered the Muzooka Mark on December 10, 2013, as U.S. Trademark Registration Number 4,448,314. RJN Ex. E. The Muzooka Mark is registered for, among other services, “computer software for use in the delivery, distribution and transmission of digital music and entertainment-related audio, video, text and multimedia content; computer software for enabling transmission, storage, sharing, collection, editing, organizing and modifying audio, video, messages, images and other data, including for use in social networking and online chats for use in creating social networking databases and for use in social networking database management.” *Id.* According to the registration, the Muzooka Mark was first used in commerce on December 2, 2011. *Id.*

B. Procedural History

On January 6, 2014, Plaintiff filed suit in the U.S. District Court for the District of Delaware against Muzooka, Muzooka’s corporate predecessor Ivory Octaves, LLC (“Ivory Octaves”), and Muzooka co-founders Shawn Wilson (“Wilson”) and Chester Aldridge (“Aldridge”) (collectively, “Defendants”). ECF No. 1. Plaintiff asserted three causes of action against each defendant: (1) unfair competition (without specifying whether the cause of action arose under a statute or the common law); (2) infringement of common law trademark rights; and (3) unfair competition under the Lanham Act, 15 U.S.C. § 1125(a). *Id.* ¶¶ 39–54.

On June 6, 2014, after no appearance by Defendants, the Delaware district court entered default as to all defendants. ECF No. 11. The parties then stipulated to set aside the entry of default, which the Delaware district court granted on June 11, 2014. ECF No. 12. On March 30, 2015, the Delaware district court concluded that it lacked personal jurisdiction over the individual defendants and transferred the case to the U.S. District Court for the Northern District of California. ECF No. 26–27.

On November 11, 2015, the Court granted in part and denied in part Defendants’ motion to dismiss. ECF No. 64. First, the Court dismissed Ivory Octaves with prejudice because Ivory Octaves converted to Muzooka and was no longer in existence. *Id.* at 7. Second, the Court found

1 that Plaintiff failed to properly serve Wilson and Aldridge, and extended the time for service. *Id.*
2 at 7–10. Third, the Court rejected Defendants’ argument that the complaint impermissibly lumped
3 Defendants together in Plaintiff’s claims for trademark infringement. *Id.* at 10–12. However, the
4 Court concluded that, to the extent that the complaint alleged that Wilson and Aldridge had
5 contributory or vicarious liability for inducing trademark infringement, the complaint improperly
6 failed to differentiate between Defendants. Accordingly, the Court dismissed with leave to amend
7 Plaintiff’s claims to the extent that Plaintiff attempted to state a claim for secondary liability. *Id.*
8 at 12–13.

9 Lastly, the Court concluded that Plaintiff failed to state a claim. The Court dismissed
10 Plaintiff’s common law trademark infringement and Lanham Act unfair competition claims
11 because Plaintiff failed to demonstrate an ownership interest in a mark. *Id.* at 14–17. Specifically,
12 the Court concluded that Plaintiff insufficiently alleged ownership of the registered Muzook Mark
13 because the PTO listed Miller—not Plaintiff—as the owner of the registered mark. *Id.* at 15–16.
14 Moreover, Plaintiff did not provide any agreement assigning the Muzook Mark from Miller to
15 Plaintiff, and an assignment was not otherwise reflected in the record. *Id.* The Court found that
16 Plaintiff did own the parent application, which had been divided from the child application that
17 matured into the registered Muzook Mark. However, the Court concluded that the parent
18 application did not provide Plaintiff priority over Defendant because the parent application
19 remained an intent-to-use application. *Id.* at 16. Further, the Court concluded that Plaintiff failed
20 to allege that Plaintiff actually used the Muzook Mark in commerce before Defendant used the
21 Muzooka Mark. *Id.* at 16–17. Thus, the Court dismissed, with leave to amend, Plaintiff’s
22 common law trademark infringement and Lanham Act unfair competition claims.

23 Finally, the Court dismissed Plaintiff’s unspecified unfair competition claim because the
24 complaint and the briefing failed to clarify whether Plaintiff intended to state a statutory or
25 common law cause of action. *Id.* at 17–18. Because the Court could not determine what claim
26 Plaintiff alleged, the Court concluded that Plaintiff failed to state a claim for relief. However, the
27 Court granted Plaintiff leave to amend. *Id.* at 19. The Court noted that “failure to cure the

deficiencies identified in this Order will result in a dismissal with prejudice.” *Id.* at 19.

On December 11, 2015, Plaintiff filed the FAC. ECF No. 65. In the FAC, Plaintiff asserts three claims against Muzooka only: (1) “statutory and common law unfair competition”; (2) infringement of common law trademark rights; and (3) unfair competition under the Lanham Act, 15 U.S.C. § 1125. *Id.* ¶¶ 35–50. On December 29, 2015, Defendant filed a motion to dismiss, and, in the alternative, for judgment on the pleadings, ECF No. 68 (“Mot.”), as well as a request for judicial notice, ECF No. 69. That same day, Defendant answered the FAC and filed a counterclaim. ECF No. 70. On January 12, 2016, Plaintiff opposed Defendant’s motion. ECF No. 71. Defendant replied on January 19, 2016. ECF No. 74.

On March 10, 2016, Plaintiff corrected one of the exhibits attached to the FAC. ECF No. 84. The original exhibit attached to the FAC is the October 1, 2011 assignment from Miller to Plaintiff. ECF No. 65-4. The corrected exhibit is Miller’s December 7, 2015 confirmation of the original assignment. ECF No. 84. Plaintiff provided no explanation for the delay in correcting the exhibit.

II. LEGAL STANDARD

A. Rule 12(b)(6) Motion to Dismiss

Defendant characterizes the instant motion as “a motion to dismiss, and, in the alternative, for judgment on the pleadings.” ECF No. 68. Both a motion to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(6) and a motion for judgment on the pleadings pursuant to Federal Rule of Civil Procedure 12(c) test the legal sufficiency of the complaint. The “principal difference” between the two motions “is the time of filing.” *Dworkin v. Hustler Magazine, Inc.*, 867 F.2d 1188, 1192 (9th Cir. 1989) (noting that a Rule 12(b)(6) motion is “functionally identical” to a Rule 12(c) motion, and courts apply the “same standard”). A Rule 12(b)(6) motion “must be made before pleading if a responsive pleading is allowed.” Fed. R. Civ. P. 12(b)(6). By contrast, a motion for judgment on the pleadings pursuant to Rule 12(c) is proper “[a]fter the pleadings are closed—but early enough not to delay trial.” Fed. R. Civ. P. 12(c). The Ninth Circuit has held that “the pleadings are closed for the purposes of Rule 12(c) once a complaint and answer have

1 been filed, assuming . . . that no counterclaim or cross-claim is made.” *Doe v. United States*, 419
2 F.3d 1058, 1061 (9th Cir. 2005).

3 Here, Defendant filed the instant motion on December 29, 2016—immediately before
4 Defendant filed both an answer and a counterclaim. *See* ECF No. 68 (instant motion); ECF No.
5 70 (answer and counterclaim). Thus, the pleadings were not “closed,” as Plaintiff had not
6 answered Defendant’s counterclaim. *See Doe*, 419 F.3d at 1061. Because Defendant filed the
7 instant motion before the pleadings were closed, the Court treats the instant motion as a motion to
8 dismiss under Rule 12(b)(6). *See id.* (noting that a Rule 12(c) motion filed before the close of the
9 pleadings is “premature”).

10 A motion to dismiss under Rule 12(b)(6) should be granted when a complaint does not
11 plead “enough facts to state a claim to relief that is plausible on its face.” *Bell Atl. Corp. v.*
12 *Twombly*, 550 U.S. 544, 570 (2007). “A claim has facial plausibility when the plaintiff pleads
13 factual content that allows the court to draw the reasonable inference that the defendant is liable
14 for the misconduct alleged.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). “The plausibility
15 standard is not akin to a probability requirement, but it asks for more than a sheer possibility that a
16 defendant has acted unlawfully.” *Id.* (internal quotation marks omitted).

17 For purposes of ruling on a Rule 12(b)(6) motion, the Court “accept[s] factual allegations
18 in the complaint as true and construe[s] the pleadings in the light most favorable to the nonmoving
19 party.” *Manzarek v. St. Paul Fire & Marine Ins. Co.*, 519 F.3d 1025, 1031 (9th Cir. 2008). The
20 Court, however, need not accept as true allegations contradicted by judicially noticeable facts, *see*
21 *Shwarz v. United States*, 234 F.3d 428, 435 (9th Cir. 2000), and it “may look beyond the plaintiff’s
22 complaint to matters of public record” without converting the Rule 12(b)(6) motion into a motion
23 for summary judgment, *Shaw v. Hahn*, 56 F.3d 1128, 1129 n.1 (9th Cir. 1995). Nor must the
24 Court “assume the truth of legal conclusions merely because they are cast in the form of factual
25 allegations.” *Fayer v. Vaughn*, 649 F.3d 1061, 1064 (9th Cir. 2011) (per curiam). Mere
26 “conclusory allegations of law and unwarranted inferences are insufficient to defeat a motion to
27 dismiss.” *Adams v. Johnson*, 355 F.3d 1179, 1183 (9th Cir. 2004).

B. Leave to Amend

If the court concludes that a motion to dismiss should be granted, it must then decide whether to grant leave to amend. Under Rule 15(a) of the Federal Rules of Civil Procedure, leave to amend “shall be freely given when justice so requires,” bearing in mind “the underlying purpose of Rule 15 . . . [is] to facilitate decision on the merits, rather than on the pleadings or technicalities.” *Lopez v. Smith*, 203 F.3d 1122, 1127 (9th Cir. 2000) (en banc) (citation omitted). Nonetheless, a district court may deny leave to amend a complaint due to “undue delay, bad faith or dilatory motive on the part of the movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of allowance of the amendment, [and] futility of amendment.” *See Leadsinger, Inc. v. BMG Music Publ’g*, 512 F.3d 522, 532 (9th Cir. 2008) (alteration in original).

III. DISCUSSION

As a preliminary matter, the Court addresses the parties’ requests for judicial notice. The Court then turns to Plaintiff’s claims for common law trademark infringement and Lanham Act unfair competition. Lastly, the Court addresses Plaintiff’s claim for “statutory and common law unfair competition.”

A. Judicial Notice

On a motion to dismiss, the Court is limited to “allegations contained in the pleadings, exhibits attached to the complaint, and matters properly subject to judicial notice.” *Akhtar v. Mesa*, 698 F.3d 1202, 1212 (9th Cir. 2012). The Court may take judicial notice of facts not subject to reasonable dispute that “can be accurately and readily determined from sources whose accuracy cannot reasonably be questioned.” Fed. R. Evid. 201(b). “[M]atters of public record” are the appropriate subjects of judicial notice. *Lee v. City of Los Angeles*, 250 F.3d 668, 689 (9th Cir. 2001), *overruled on other grounds by Galbraith v. Cty. of Santa Clara*, 307 F.3d 1119, 1125–26 (9th Cir. 2002).

The Court GRANTS Defendant’s unopposed request for judicial notice of the registration certificate for the Muzooka Mark and additional documents from the PTO’s Trademark Status and

Document Retrieval database. These documents are matters of public record and the proper subjects of judicial notice. *See id.* The Court DENIES as moot Defendant's request for judicial notice of declarations previously submitted in the instant litigation by Wilson, Aldridge, and Defendant's attorney. These declarations are relevant primarily to earlier motions to transfer venue and dismiss for insufficient service, and to the likelihood of confusion, which the Court does not reach below. The Court does not rely on the declarations for the instant motion.

Plaintiff did not file a request for judicial notice. However, Plaintiff attaches two exhibits to the opposition: (1) U.S. Patent No. 9,171,179, which the PTO issued to Miller; and (2) a declaration by Miller providing additional information about Miller's plan for, and registration of, the Muzook Mark. Opp. Exs. A–B. In ruling on a motion to dismiss, the Court may not consider these exhibits, which are neither "allegations contained in the pleadings" nor "attached to the complaint," unless the exhibits are "properly subject to judicial notice." *Akhtar*, 698 F.3d at 1212. Thus, although Plaintiff did not file a request for judicial notice, the Court treats Plaintiff's attachment of these two exhibits to the opposition as a request for judicial notice.

Defendant does not oppose judicial notice of Miller's patent. Opp. Ex. B. This document is a matter of public record and the proper subject of judicial notice. *Lee*, 250 F.3d at 689. Accordingly, the Court GRANTS Plaintiff's request for judicial notice of Miller's patent. However, Defendant opposes judicial notice of Miller's declaration, *see* Reply at 4, and the facts in the declaration are subject to reasonable dispute, *see* Fed. R. Evid. 201(b). Accordingly, the Court DENIES Plaintiff's request for judicial notice of Miller's declaration.

B. Failure to State a Claim for Common Law Trademark Infringement and for Unfair Competition under the Lanham Act

1. Ownership Interest in a Mark

Plaintiff's claims for both trademark infringement under California common law and unfair competition under the federal Lanham Act require Plaintiff to allege: (1) a protectable ownership interest in a mark, and (2) the likelihood of the infringing mark being confused with the plaintiff's mark. *See Wood v. Apodaca*, 375 F. Supp. 2d 942, 947–48 (N.D. Cal. 2005) (California

common law) (citing *Am. Petrofina v. Petrofina of Cal., Inc.*, 596 F.2d 896, 897 (9th Cir. 1979)); *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1046–47 (9th Cir. 1999) (unfair competition under the Lanham Act).

An ownership interest in a mark is demonstrated through priority of use. *See Wood*, 375 F. Supp. 2d at 948 (citing *Am. Petrofina*, 596 F.2d at 897 (“[W]hosoever first adopts and uses a trade name, either within or without the state, is its original owner.”)); *Sengoku Works Ltd. v. RMC Int'l, Ltd.*, 96 F.3d 1217, 1219 (9th Cir. 1996) (“It is axiomatic in trademark law that the standard test of ownership is priority of use.”). Use of a mark “typically occurs when a mark is used in conjunction with the actual sale of goods or services” and “creates an association among consumers between the mark and the mark’s owner.” *Brookfield Commc'ns*, 174 F.3d at 1051 (“The Lanham Act grants trademark protection only to marks that are used to identify and to distinguish goods or services in commerce . . .”). “The first to use a mark is deemed the ‘senior’ user and has the right to enjoin ‘junior’ users from using confusingly similar marks in the same industry and market or within the senior user’s natural zone of expansion.” *Id.* at 1047.

Additionally, federal registration of a mark is “prima facie evidence of [the registrant’s] ownership” of the mark. *See Dep’t of Parks & Recreation v. Bazaar Del Mundo Inc.*, 448 F.3d 1118, 1124 (9th Cir. 2006). Thus, once a mark is registered, the registrant is granted “constructive-use” of the mark dating back to the filing date of an intent-to-use application. *See Zobmondo Entm’t, LLC v. Falls Media, LLC*, 602 F.3d 1108, 1111 n.3 (9th Cir. 2010). Accordingly, a plaintiff may establish priority (and thus ownership of a mark) for claims under the Lanham Act through actual or constructive use of the mark. However, “[r]egistration under the Lanham Act has no effect on the registrant’s rights under the common law, which requires a mark to have been used in commerce before a protectible [sic] ownership interest in the mark arises.” *Dep’t of Parks*, 448 F.3d at 1125. Consequently, a plaintiff asserting a common law trademark infringement claim may only establish priority based on the actual use of the mark. *See id.*

In the instant case, Plaintiff asserts a constructive-use date of September 12, 2011, the date that Miller filed the intent-to-use application that later matured into the Muzook Mark. Plaintiff

also provides an October 1, 2011 assignment transferring the intent-to-use application, and any resulting child applications or registrations, from Miller to Plaintiff. FAC Ex. C. The constructive-use date of September 12, 2011 would provide priority over Defendant, whose first use in commerce of the Muzooka Mark was in December 2011. *See* Opp. at 2.

Defendant does not challenge the existence of an assignment of the Muzook Mark from Miller to Plaintiff. Nor does Defendant dispute that Plaintiff's constructive-use date, if valid, establishes priority over Defendant. Rather, Defendant argues that the October 1, 2011 assignment of the original intent-to-use application violates 15 U.S.C. § 1060(a)(1), which in turn voids the Muzook Mark registration. Thus, Defendant says, Plaintiff's priority date is August 14, 2013, when Plaintiff first actually used the Muzook Mark in commerce—two years after Defendant's first use of the Muzooka Mark. *See* RJN Ex. C (statement of use for the Muzook Mark). Accordingly, Defendant argues that Plaintiff fails to allege priority and an ownership interest in the Muzook Mark.

To determine priority, the Court first examines Plaintiff's actual use of the Muzook Mark in commerce, and then turns to Plaintiff's constructive-use of the Muzook Mark.

2. Actual Use in Commerce

As noted above, Plaintiff does not rely on Plaintiff's actual use of the Muzook Mark to establish priority over Defendant. Instead, Plaintiff relies solely on Plaintiff's constructive use of the Muzook Mark, established by the federal registration of the Muzook Mark. *See* Opp. at 8. However, "[r]egistration under the Lanham Act has no effect on the registrant's rights under the common law, which requires a mark to have been used in commerce before a protectible [sic] ownership interest in the mark arises." *Dep't of Parks*, 448 F.3d at 1125; *see also Spin Master, Ltd. v. Zobmondo Entm't, LLC*, 944 F. Supp. 2d 830, 850 (C.D. Cal. Mar. 7, 2012) (finding that constructive priority under the Lanham Act is "a statutory construct for a federal claim," and thus "in a common law priority dispute, [a plaintiff] must still show that it actually used the mark before the alleged infringer to gain common law priority"). Accordingly, for Plaintiff's common law trademark infringement claim, the Court must examine the actual use of the Muzook Mark to

determine whether Plaintiff has priority over Defendant.

Plaintiff does not dispute that Defendant's first use of Defendant's Muzooka Mark in commerce occurred in December 2011. Opp. at 2; *see also* RJN Ex. E (registration of the Muzooka Mark). Accordingly, in order to establish priority for Plaintiff's common law trademark infringement claim, Plaintiff must allege that Plaintiff actually used the Muzook Mark in commerce before December 2011. *See Wood*, 375 F. Supp. 2d at 947–48 (“To state a claim of trademark infringement under California common law, a plaintiff need allege . . . their prior use of the trademark . . .”).

In the FAC, Plaintiff alleges that “Plaintiff’s services, provided under the [Muzook Mark], have been offered consistently and continuously since the filing of the statement of use.” FAC ¶ 41. The statement of use was filed on August 21, 2013, and identifies August 14, 2013 as the Muzook Mark’s first use in commerce. RJN Ex. C. Plaintiff also alleges that “for several years” Plaintiff has engaged in promoting the production of creative works and developing the MuZook website. FAC ¶ 7. The only other date given in the FAC relevant to Plaintiff’s use of the Muzook Mark is the sale of Plaintiff’s downloadable e-book in Apple’s iTunes App Store beginning on November 8, 2015. *Id.* ¶ 17.

Plaintiff’s allegations are facially insufficient to plead an actual use in commerce before December 2011. As seen above, the earliest date that Plaintiff alleges use of the Muzook Mark is in 2013—two years after Defendant’s first use of Defendant’s Muzooka Mark. Accordingly, Plaintiff fails to allege priority over Defendant for the purpose of Plaintiff’s common law trademark infringement claim. *See Dep’t of Parks*, 448 F.3d at 1125 (noting that, under the common law, a mark must “have been used in commerce before a protectible [sic] ownership interest in the mark arises”). Because priority is a necessary element of common law trademark infringement, the Court GRANTS Defendant’s motion to dismiss as to Plaintiff’s common law trademark infringement claim. *See Wood*, 375 F. Supp. 2d at 947–48.

3. Constructive Use under the Muzook Mark Registration

The Court now turns to Plaintiff’s constructive use of the Muzook Mark, which may

1 establish priority for Plaintiff's Lanham Act claim. As noted above, Plaintiff asserts a
 2 constructive-use date of September 12, 2011, the date of the filing of the intent-to-use application
 3 that later matured into the Muzook Mark registration. Defendant argues that Plaintiff may not rely
 4 on this date because the assignment of the intent-to-use application to Plaintiff violates 15 U.S.C.
 5 § 1060(a)(1), and therefore the application and resulting registration are void.

6 Section 1060(a)(1) governs the assignment of registered trademarks and intent-to-use
 7 applications. This section provides:

8 A registered mark or a mark for which an application to register has been filed shall
 9 be assignable with the good will of the business in which the mark is used, or with
 10 that part of the good will of the business connected with the use of and symbolized
 11 by the mark. Notwithstanding the preceding sentence, no [intent-to-use
 12 application] shall be assignable prior to the filing of an amendment under section
 1051(c) of this title to bring the application into conformity with section 1051(a) of
 11 this title or the filing of the verified statement of use under section 1051(d) of this
 12 title, except for an assignment to a successor to the business of the applicant, or
 13 portion thereof, to which the mark pertains, if that business is ongoing and existing.

13 15 U.S.C. § 1060(a)(1). Thus, an intent-to-use application is not freely assignable. An applicant
 14 may assign an intent-to-use application in only two circumstances: (1) after the applicant has filed
 15 an allegation of use³; or (2) if the application is transferred "to a successor to the business of the
 16 applicant, or portion thereof, to which the mark pertains, if that business is ongoing and existing."
 17 *See id.* In other words, an intent-to-use applicant may not assign an intent-to-use application
 18 before filing an allegation of use, unless the application is transferred with at least part of the
 19 applicant's "ongoing and existing" business to which the mark pertains. "Violating this 'anti-
 20 trafficking rule' voids the assignment as well as the underlying application and resulting
 21 registration." *Oculu, LLC v. Oculus VR, Inc.*, 2015 WL 3619204, at *7 (C.D. Cal. June 8, 2015)
 22 (citing *Clorox Co. v. Chemical Bank*, 40 U.S.P.Q.2d 1098, 1104 (TTAB 1996) (precedential)).

23
 24
 25 ³ An intent-to-use applicant must demonstrate use of a mark in commerce before a registration will
 26 be granted. Such a showing is commonly called an "amendment to allege use" if filed prior to
 27 publication, *see* 15 U.S.C. § 1051(c), or a "statement of use" when filed after, *see* 15 U.S.C.
 28 § 1051(d). The differences are not relevant to the instant case, and thus the Court refers to both
 generally as an "allegation of use." *See Central Garden & Pet Co. v. Doskocil Mfg. Co.*, 108
 U.S.P.Q.2D (BNA) 1134, 1146 n.23 (TTAB 2013) (precedential) (using "allegation of use" to
 refer to amendment to allege use and statement of use).

1 In the instant case, Plaintiff does not dispute that the intent-to-use application resulting in
 2 the Muzook Mark registration was assigned before an allegation of use was filed. Specifically, on
 3 October 1, 2011, Miller assigned the intent-to-use application to Plaintiff. FAC Ex. C. No
 4 statement of use was filed until August 21, 2013—almost two years after the assignment.
 5 Accordingly, the assignment violates § 1060(a)(1) unless the assignment meets the statutory
 6 exception of being assigned to “a successor to the business of the applicant, or portion thereof, to
 7 which the mark pertains, if that business is ongoing and existing.” 15 U.S.C. § 1060(a)(1).

8 The parties dispute whether Plaintiff succeeded to an “ongoing and existing” business to
 9 which the Muzook Mark pertained. Neither the Ninth Circuit nor any district court within the
 10 Ninth Circuit has determined when an applicant assigns a business “to which a mark pertains” that
 11 is “ongoing and existing” for purposes of § 1060(a)(1). However, the PTO’s Trademark Trial and
 12 Appeal Board (“TTAB”), an authority “whose expertise we respect and whose decisions create
 13 expectations,” *Grupo Gigante SA De CV v. Dallo & Co., Inc.*, 391 F.3d 1088, 1095 (9th Cir.
 14 2004), provides some guidance.

15 First, the TTAB has stated that the “ongoing and existing” business exception to
 16 § 1060(a)(1) does not abrogate the requirement that the assignment of a trademark must include
 17 goodwill. *See Central Garden & Pet Co. v. Doskocil Mfg. Co.*, 108 U.S.P.Q.2D (BNA) 1134,
 18 1147 (TTAB 2013) (precedential). “[T]he law is well settled that there are no rights in a
 19 trademark alone” and that no rights may be transferred without the goodwill of the business
 20 connected with the use of the mark. *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280,
 21 1289 (9th Cir. 1992) (alteration in original); *see also Oculu*, 2015 WL 3619204, at *7 (“As a
 22 theoretical matter, ‘[a] trademark exists only in connection with an on-going business. If the
 23 ‘assignor’ has made no trademark use of a designation, then there are no trademark rights to
 24 assign.’”) (quoting 3 McCarthy on Trademarks and Unfair Competition § 18:6 (4th ed.)). “The
 25 purpose behind requiring that goodwill accompany the assigned mark is to maintain the continuity
 26 of the product or service symbolized by the mark and thereby avoid deceiving or confusing
 27 consumers.” *E. & J. Gallo Winery*, 967 F.2d at 1289. This goodwill requirement is reflected in

the first sentence of § 1060(a)(1), which provides that “a mark for which an application to register has been filed shall be assignable with the good will of the business in which the mark is used.” 15 U.S.C. § 1060(a)(1). The “ongoing and existing” business exception to § 1060(a)(1) does not purport to alter this goodwill requirement. *See Central Garden*, 108 U.S.P.Q.2D at 1147 (“Any transfer of a trademark must include the goodwill associated with the mark, because without goodwill, there is no trademark to transfer.”).⁴

Second, the TTAB has stated that the assignment of an “ongoing and existing” business involves more than the assignment of goodwill alone. *Central Garden*, 108 U.S.P.Q.2d at 1147, 1149–50 (concluding that assignment violated § 1060(a)(1) when the assignment transferred only the intent-to-use application and goodwill, without any of the applicant’s ongoing and existing business). However, the TTAB has provided conflicting guidance on precisely what constitutes an “ongoing and existing” business. *See Creative Arts by Calloway, LLC v. Brooks*, 2012 WL 6732907, at *7 n.18 (S.D.N.Y. Dec. 27, 2012) (noting that the “law is not clear on this point”).

In *Railrunner N.A., Inc. v. New Mexico Department of Transportation*, the TTAB determined that a business is “ongoing and existing” for the purpose of § 1060(a)(1) only if “the applicant actually has such a business, *i.e.*, the applicant is already providing the goods or services recited in the application.” 2008 WL 8973295, at *2 (TTAB July 17, 2008) (non-precedential). This restriction, the TTAB held, is consistent with § 1060(a)’s legislative history, which reveals Congress’s concern that intent-to-use applications “may lead to trafficking in marks which are not yet in use.” *Id.* The TTAB then examined the assignment of an intent-to-use application from the New Mexico Mid-Region Council of Governments (“MRCOG”) to the New Mexico Department

⁴ To address the assignment of an intent-to-use application under the “ongoing and existing” business exception to § 1060(a)(1), United States district courts have also concluded that the assignment must include the goodwill associated with a mark. *See Creative Arts by Calloway, LLC v. Brooks*, 2012 WL 6732907, at *5 (S.D.N.Y. Dec. 27, 2012) (“Plaintiff seems to conceptualize goodwill as a concept independent of both a trademark and an ‘ongoing and existing’ business, rather than synonymous with the part of an ‘ongoing and existing’ business that a trademark symbolizes.”); *Greene v. Ab Coaster Holdings, Inc.*, 2012 WL 4442749, at *9 (S.D. Ohio Sept. 25, 2012) (concluding that assignment requires transfer of goodwill); *Fitzpatrick v. Sony-BMG Music Entm’t, Inc.*, 2010 WL 3377500, at *2 (S.D.N.Y. Aug. 24, 2010) (“[W]here a trademark is assigned ‘in gross,’ without its accompanying goodwill, the assignment is invalid.”).

1 of Transportation (the “Department”) before filing an allegation of use. *Id.* at *3. The assignment
2 did not purport to transfer any portion of MRCOG’s business, and the record revealed no evidence
3 of transfer of MRCOG’s assets or liabilities. Accordingly, the TTAB held that the Department
4 was not a successor to MRCOG’s business and the assignment violated § 1060(a)(1). *Id.* at *6.

5 The *Railrunner* approach was adopted by the U.S. District Court for the Southern District
6 of Ohio in *Greene v. Ab Coaster Holdings, Inc.*, 2012 WL 4442749 (S.D. Ohio Sept. 25, 2012). In
7 *Greene*, Bodytime Wellness, LLC assigned an intent-to-use application for the mark “Ab Coaster”
8 before filing a statement of use. *Id.* at *7. At the time of the assignment, Bodytime Wellness,
9 LLC was actively engaged in the distribution of other wellness products and was developing the
10 Ab Coaster product. *Id.* at *8. The district court, relying on *Railrunner*, found that Bodytime
11 Wellness, LLC needed to “provid[e] goods or services in commerce related to the Ab Coaster
12 mark” in order to validly assign the Ab Coaster intent-to-use application. *Id.* at *10. Applying
13 this rule, the district court found that “the business of developing the product that would in the
14 future be marked with the Ab Coaster trademark” did not establish goodwill and was “not the type
15 of ongoing and existing business sufficient to fit” into § 1060(a)(1). *Id.* Consequently, the Court
16 found that the assignment violated § 1060(a)(1). *Id.*

17 By contrast, in *Exel Oyj v. D’Ascoli*, the TTAB stated that § 1060(a)(1) “cannot be read to
18 require, as a precondition for assignment of an intent to use application, that there be an ongoing
19 and existing business, or portion thereof, for each of the goods in an intent to use application.”
20 2008 WL 4354180, at *7 (TTAB Sept. 19, 2008) (non-precedential). The TTAB continued: “The
21 statute must allow for the transfer of [an intent-to-use application] claiming a bona fide intention
22 to use the mark for goods which are not yet in production or which may be in the planning stage,
23 and which may represent an extension of an applicant’s business.” *Id.* Thus, the intent-to-use
24 applicant must transfer the application accompanied by “that portion of the business that would
25 have used the mark had there been no transfer.” *Id.* In *Exel*, the applicant transferred the intent-
26 to-use application for the “Exel” trademark before filing an allegation of use. At the time of the
27 assignment, the applicant was using Exel in commerce for some, but not all, of the goods listed in

1 the intent-to-use application. *Id.* at *7. The TTAB found that the applicant transferred the mark
2 along with all of the assets of the applicant’s business, and it was irrelevant that the mark had not
3 been used for every good in the application. *Id.* at *9. Accordingly, the TTAB found that the
4 assignment fit within § 1060(a)(1). Thus, while *Railrunner* and *Greene* conclude that an “ongoing
5 and existing” business requires the use of the mark in connection with each of the goods or
6 services listed in the intent-to-use application, *Exel* finds that use of the mark in connection with
7 some of the goods or services in the application is sufficient.

8 In the instant case, Defendant urges the Court to adopt the *Railrunner* interpretation of
9 § 1060(a)(1), and find that Miller had no “ongoing and existing” business to assign because there
10 is no allegation that Miller provided each of the services in the original intent-to-use application.
11 Mot. at 9–10. Plaintiff asks the Court to reject *Railrunner*, and argues that an “ongoing and
12 existing” business does not require any use of the mark in commerce. *See* Opp. at 4. According
13 to Plaintiff, if a mark is in use, an intent-to-use applicant could simply file an allegation of use and
14 assign the mark under § 1060(a)(1) without reference to the “ongoing and existing” business
15 exception. *See* 15 U.S.C. § 1060(a)(1) (permitting assignment of intent-to-use application after an
16 allegation of use is filed, or to the successor of the applicant’s “ongoing and existing” business).
17 Thus, Plaintiff argues, requiring use of the mark in commerce would render the “ongoing and
18 existing” business exception superfluous.

19 The Court need not resolve the conflict in TTAB decisions, or adopt the *Railrunner*
20 interpretation, to conclude that an “ongoing and existing” business to which a mark pertains
21 requires at least some use of the mark in commerce. This is simply another way of stating that the
22 mark must have accrued goodwill before the mark may be validly assigned. “Goodwill” has been
23 generally described as “the advantage or benefit, which is acquired by an establishment, beyond
24 the mere value of the capital, stock, funds, or property employed therein, in consequence of the
25 general public patronage and encouragement which it receives from constant or habitual
26 customers.” *Newark Morning Ledger Co. v. United States*, 507 U.S. 546, 555 (1993). Goodwill
27 accrues through use of the mark. *See Miller v. Glenn Miller Prods., Inc.*, 454 F.3d 975, 979 (9th
28

1 Cir. 2006) (stating that the registration of a mark “does not create a mark or confer ownership;
 2 only use in the marketplace can establish a mark”); *Conversive, Inc. v. Conversagent, Inc.*, 433 F.
 3 Supp. 2d 1079, 1090 (N.D. Cal. 2006) (“Because there is no evidence of any use of the
 4 CONVERSAGENT mark . . . there is also a lack of evidence that there was any transferable
 5 goodwill associated with the mark.”); *Jim Henson Prods. v. John T. Brady & Assocs.*, 867 F.
 6 Supp. 175, 182–83 (S.D.N.Y. 1994) (explaining that prior to actual use there is no assignable
 7 interest in a trademark). Thus, without any use of a mark, there is no goodwill to assign. *See*
 8 *Conversive, Inc.*, 433 F. Supp. 2d at 1090; *see also* 3 McCarthy on Trademarks and Unfair
 9 Competition § 18:13 (stating that “one who merely has an intention to use a mark in a business not
 10 yet established really has no ‘trademark’ to sell” because “[t]here is as yet no good will
 11 represented by the mark”).

12 Further, requiring some use of a mark before the assignment of an intent-to-use application
 13 is consistent with the legislative history of the “ongoing and existing” business exception to
 14 § 1060(a)(1). The TTAB has repeatedly highlighted Congress’s concern that “[p]ermitting
 15 assignment of applications before a mark is used would conflict with the principle that a mark may
 16 be validly assigned only with some of the business or goodwill attached to use of the mark and
 17 would encourage trafficking in marks.” *Clorox Co.*, 40 U.S.P.Q.2d at 1105 (quoting S.1883,
 18 100th Cong., 1st Sess., 133 Cong. Rec. S16552 (daily ed. Nov. 19, 1987), *reprinted in* United
 19 States Trademark Association, Trademark Law Revision Act of 1988 122 (1989)). In other words,
 20 “[t]he purpose of this limitation on assignment of an application is to prohibit ‘trafficking’ in
 21 marks: the buying and selling of ‘inchoate’ marks which as of yet have no real existence.” *Exel*,
 22 2008 WL 4354180, at *7 (quoting 3 McCarthy on Trademarks and Unfair Competition § 18:13)
 23 (ellipsis omitted); *see also Pfizer, Inc. v. Hamerschlag*, 2001 WL 1182865, at *4 (TTAB Sept. 27,
 24 2001) (non-precedential) (“Unwittingly or not, a party who has no business except obtaining a
 25 trademark on the basis of intent to use and who prior to starting a business assigns that application
 26 to another falls squarely into the trademark trafficking activity that [§ 1060(a)(1)] is intended to
 27 preclude.”).

In the instant case, the assignment purports to transfer “[Miller’s] entire right title and interests in and to the trademarks identified in Schedule A attached hereto (the “Marks”), together with that part of [Miller’s] business to which the Marks pertain, which business is ongoing and existing, the goodwill of the business symbolized by the Marks, and all registrations and applications therefor.” FAC Ex. C. Defendant does not argue that this assignment was insufficient to transfer the goodwill and ongoing and existing business of Miller. Rather, Defendant argues that the assignment is invalid because Miller had no goodwill or ongoing and existing business to transfer. Although the Court accepts the allegations in the FAC as true for the purposes of a motion to dismiss, the Court need not accept as true allegations that are conclusory legal conclusions. *See Adams*, 355 F.3d at 1183. The language in the assignment merely reflects the language of § 1060(a)(1). *See* FAC Ex. C. Standing alone, the assignment’s language does not establish that Miller had goodwill or an ongoing and existing business to transfer. *See Glow Indus., Inc. v. Lopez*, 273 F. Supp. 2d 1095, 1108 (C.D. Cal. 2013) (“[A] mere recitation in the assignment agreement that the mark was assigned ‘together with the good will of the business symbolized by the mark’ is not sufficient to establish a valid transfer.” (internal quotation marks omitted)); *Creative Arts*, 2012 WL 6732907, at *6 (“The language of the assignment does not control whether Mrs. Calloway’s activities were actually organized as an ‘ongoing or existing business,’ thus rendering the assignment of the application valid.”). Accordingly, the Court looks to the FAC to determine whether Plaintiff offers any factual allegations to support that Miller had goodwill or an ongoing and existing business to assign.

The FAC includes no allegations regarding Miller’s pre-assignment business or use of the Muzook Mark. *See generally* FAC. For example, the FAC does not allege that Miller provided any services under the Muzook Mark; invested money in the development of the Muzook Mark; publicly displayed the Muzook Mark; had any business assets; or engaged in any business activities. Instead, the FAC focuses on *Plaintiff’s* use of the Muzook Mark, which began in August 2013. However, allegations of Plaintiff’s use—which does not begin for two years after the assignment—do not plausibly allege that *Miller* used the Muzook Mark, prior to the

1 assignment, in a manner that established goodwill or any ongoing and existing business. Thus,
 2 Plaintiff fails to sufficiently allege that the assignment of the intent-to-use application from Miller
 3 transferred goodwill or an ongoing and existing business as required by § 1060(a)(1). Without a
 4 valid assignment, Plaintiff fails to allege that Plaintiff owns a valid registration for the Muzook
 5 Mark and is entitled to the constructive-use date established by the registration.

6 In the opposition, Plaintiff argues that, before the assignment, Miller “created an idea for a
 7 business, began business activities to implement the business model including the filing of a patent
 8 application that covers his collaborative invention and explicitly mentions the MUZOOK
 9 trademark . . . , applied for a trademark based on intent to use and then assigned that application to
 10 a business entity which he owned and controlled and which has since carried on such business
 11 activities related to the trademark.” Opp. at 8. First, however, Miller did not apply for the patent
 12 until December 19, 2011, *after* the assignment. Opp. Ex. B. Accordingly, the patent application
 13 can not establish that a business was ongoing and existing before the October 2011 assignment.
 14 Additionally, the other activities described in the opposition—creating an idea, applying for an
 15 intent-to-use trademark, and assigning the application to an entity that later used the Muzook Mark
 16 in commerce—establish only that Miller intended to use the Muzook Mark in a future business.
 17 On their face, these allegations do not indicate any use of the Muzook Mark nor the establishment
 18 of a business. *See Chance v. Pac-Tel Teletrac Inc.*, 242 F.3d 1151, 1158–59 (9th Cir. 2001)
 19 (“[T]rademark rights are not conveyed through mere intent to use a mark commercially.”).

20 Plaintiff further points to the Miller declaration attached to the opposition, which states
 21 that, “[a]t least as early as April 28, 2011, I personally began to pitch my collaboration services
 22 ideas to others attached to the mark MUZOOK.” Opp. Ex. A, ¶ 5. The declaration also states that,
 23 before April 28, 2011, Miller was working with Plaintiff “to develop the subject business to which
 24 the trademark relates.” *Id.* ¶ 3. Plaintiff cites no authority, and makes no argument, that these
 25 activities involve any use of the Muzook Mark sufficient to establish goodwill, as required for an
 26 “ongoing and existing” business.

27 Goodwill is established through use of a mark “in a way sufficiently public to identify or

distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark.” *Dep’t of Parks*, 448 F.3d at 1126; *see also Brookfield Commc’ns*, 174 F.3d at 1051 (“The Lanham Act grants trademark protection only to marks that are used to identify and to distinguish goods or services in commerce”); 3 McCarthy on Trademarks and Unfair Competition § 18:2 (“A designation that has not been used as a trademark has no good will to symbolize.”). While “advertising combined with other non-sales activity” may constitute use of a trademark, *Dep’t of Parks*, 448 F.3d at 1126, “mere preparation to use a term as a trademark” is not sufficient, *Brookfield Commc’ns*, 174 F.3d at 1052. For example, neither putting a mark “on a prototype displayed to a potential buyer” nor engaging in “limited e-mail correspondence with lawyers and a few customers” is sufficient “to establish trademark rights.” *Brookfield Commc’ns*, 174 F.3d at 1052. Moreover, no goodwill is created when the mark “is seen by the consuming public only in very limited quantity.” *E. & J. Gallo Winery v. Gallo Cattle Co.*, 1989 WL 159628, at *3 (E.D. Cal. June 19, 1989), *aff’d E. & J. Gallo Winery*, 967 F.2d 1280.

In the instant case, Miller’s declaration states that he “pitch[ed] collaboration services ideas to others” and did unspecified work to “develop” a business. The declaration does not state that Miller publicly displayed the Muzook Mark, advertised services under the Muzook Mark, or displayed the Muzook Mark to any consumers. Accordingly, Miller’s alleged activities are analogous to “mere preparation” or putting the Muzook Mark “on a prototype displayed to a potential buyer,” and do not plausibly allege use of the Muzook Mark “in a way sufficiently public” to identify any services. *See Dep’t of Parks*, 448 F.3d at 1126. Thus, Plaintiff fails to plausibly allege that Miller used the Muzook Mark, or acquired goodwill, before the assignment to Plaintiff. *See Conversive, Inc.*, 433 F. Supp. 2d at 1090 (“Because there is no evidence of any use of the CONVERSAGENT mark . . . there is also a lack of evidence that there was any transferable goodwill associated with the mark.”); *see also Creative Arts*, 2012 WL 6732907, at *7–*11 (concluding that an applicant did not have an “ongoing and existing” business to which the mark “Cab Calloway” pertained when the applicant took no steps to market, merchandise, advertise, promote, or sell products bearing the Cab Calloway name, likeness, voice, or caricature; it was

1 insufficient that the applicant collected royalties, licensed the use of Cab Calloway's image,
2 music, and film clips, and negotiated for the production of a Cab Calloway Broadway musical).

3 Further, Defendant opposed and the Court denied judicial notice of Miller's declaration
4 because the facts in the declaration are subject to reasonable dispute and can not be "accurately
5 and readily determined from sources whose accuracy cannot reasonably be questioned." Fed. R.
6 Evid. 201(b). Accordingly, even if Miller were correct that the declaration establishes that Miller
7 had an ongoing and existing business (which the Court does not so hold), it would be improper for
8 the Court to consider the declaration in ruling on the instant motion. *Adobe Sys. Inc. v. Blue*
9 *Source Grp.*, 2015 WL 5118509, at *13 (N.D. Cal. Aug. 31, 2015).

10 Lastly, Plaintiff relies on *Fitzpatrick v. Sony-BMG Music Entm't, Inc.*, 2010 WL 3377500
11 (S.D.N.Y. Aug. 24, 2010), to argue that an intent-to-use application may be transferred before use
12 so long as (1) the applicant originated the trademark as part of a distinctive trade style; (2) the
13 applicant was the CEO of the assignee; and (3) the assignee used the trademark for the same
14 purposes intended by the applicant at the time of the applicant's trademark application. *See* Opp.
15 at 7. The Court is not persuaded by Plaintiff's citation to *Fitzpatrick*. First, the *Fitzpatrick* court
16 held that "where a trademark is assigned . . . without its accompanying goodwill, the assignment is
17 invalid." *See Fitzpatrick*, 2010 WL 3377500, at *2. The *Fitzpatrick* court further found that the
18 assignment at issue in the case satisfied § 1060(a)(1) because the trademark had accrued goodwill,
19 which was assigned along with the intent-to-use application. *See id.* at *3. In this case, by
20 contrast, Plaintiff provides no factual allegations to support that Miller used the Muzook Mark in
21 commerce or that the Muzook Mark accrued goodwill prior to the assignment.

22 Second, to the extent that Plaintiff argues that, so long as the above three factors are
23 satisfied, *Fitzpatrick* permits an assignment without goodwill or an ongoing and existing business,
24 Plaintiff's argument is inconsistent with § 1060(a)(1) and Ninth Circuit law. "[T]he law is well
25 settled that there are no rights in a trademark alone" and that a mark is "assignable with the
26 goodwill of the business in which the mark is used, or with that part of the goodwill of the
27 business connected with the use of and symbolized by the mark." *E. & J. Gallo Winery*, 967 F.2d

at 1289 (quoting 15 U.S.C. § 1060(a)(1)); *see also Oculu*, 2015 WL 3619204, at *7 (“As a theoretical matter, ‘[a] trademark exists only in connection with an on-going business. If the ‘assignor’ has made no trademark use of a designation, then there are no trademark rights to assign.’”) (quoting 3 McCarthy on Trademarks and Unfair Competition § 18:6). Moreover, Plaintiff’s argument is inconsistent with the *Fitzpatrick* court’s recognition that the assignment of a trademark must include the associated goodwill. *Fitzpatrick*, 2010 WL 3377500, at *2.

Miller chose to conduct business through the creation of a separate corporate entity, which, like Miller, counts as a “person” under the Lanham Act. 15 U.S.C. § 1127. Miller maintained Plaintiff as a separate corporation, and Miller, not Plaintiff, filed the intent-to-use application for the Muzook Mark. In an analogous situation, the TTAB found that the assignment of a mark from a subsidiary corporation to the parent corporation without any of the subsidiary’s “ongoing and existing” business violated § 1060(a)(1). As the TTAB explained, “Such a business structure may offer some advantages, but it also comes with some strictures, and the existence of a corporation cannot be turned on or off at will to suit the occasion. This result is merely the flip side of the principle that a parent corporation is not liable for the wrongs of its subsidiary absent disregard of corporate separateness, such as an ‘alter ego’ relationship.” *See Central Garden*, 108 U.S.P.Q.2D at 1149. Similarly, the Court here “cannot ignore the fact that the intent-to-use application was transferred from one entity to another in a transaction that did not satisfy the requirements of the statute.” *Id.* While the assignment from Miller to Plaintiff “might not seem to amount to what we commonly think of as ‘trafficking’” in a mark, “Congress saw fit to protect against trafficking by a bright line rule not admitting of exceptions, and that rule allows a transferor to establish her *bona fides* only one way: by transferring the [intent-to-use] application along with an ongoing business.” *Creative Arts*, 2012 WL 6732907, at *5. Plaintiff fails to allege that Miller assigned such an ongoing business along with the intent-to-use application for the Muzook Mark. In sum, Plaintiff has not pled sufficient facts to plausibly allege that the October 1, 2011 assignment of the Muzook Mark complied with § 1060(a)(1).

As discussed in the above procedural history section, on March 10, 2016, Plaintiff filed a

second assignment of the Muzook Mark from Miller to Plaintiff, dated December 7, 2015. Plaintiff failed to attach this exhibit to the FAC. The FAC alleged that the October 1, 2011 assignment “was confirmed on December 7, 2015 in an assignment specifically conveying Reg. No. 4,419,977,” and cited “Exhibits C–D.” FAC ¶ 15. The FAC provided no other details of the December 7, 2015 assignment. However, both Exhibits C and D, attached to the FAC, are the October 1, 2011 assignment. *See* FAC Exs. C–D. On March 10, 2016, Plaintiff filed the December 7, 2015 assignment as a “Correction of Docket” for Exhibit D. ECF No. 84. Although Plaintiff did not correct the docket for almost two months after the completion of briefing on the instant motion, Plaintiff provided no explanation for the delay. *See id.*

Although the December 7, 2015 assignment was not raised by Plaintiff in opposition to the instant motion or properly attached to the FAC, the Court nonetheless address it. In addition to “confirm[ing]” the October 1, 2011 assignment, the December 7, 2015 assignment assigned the Muzook Mark from Miller to Plaintiff “[t]o the extent that any rights related to the Mark were not transferred by the October 1, 2011 assignment.” *Id.* The Court concludes that, under the circumstances, the December 2015 assignment does not grant Plaintiff priority under the Lanham Act. If the October 1, 2011 assignment is invalid under § 1060(a)(1), the intent-to-use application and resulting Muzook Mark registration are void. *Oculu*, 2015 WL 3619204, at *7 (citing *Clorox*, 40 U.S.P.Q.2d at 1104). Because Plaintiff fails to sufficiently plead that the October 1, 2011 assignment complied with § 1060(a)(1), Plaintiff does not sufficiently plead there were “any rights related to the Mark” available to assign in December 2015.

Accordingly, Plaintiff has not plausibly alleged that Plaintiff received the Muzook Mark in a valid assignment, or that Plaintiff is entitled to rely on the constructive-use date provided by the Muzook Mark registration. Given that Plaintiff has not pled priority based upon actual use of the Muzook Mark, Plaintiff fails to allege any type of priority over Defendant. The Court thus GRANTS Defendant’s motion to dismiss Plaintiff’s Lanham Act claim. *See Brookfield Commc’ns*, 174 F.3d at 1047 (noting that, to state a claim of unfair competition under the Lanham Act, plaintiff must allege ownership of a trademark).

C. Failure to State a Claim for “Statutory and Common Law Unfair Competition”

Plaintiff also asserts, in “Count One,” claims for “statutory and common law unfair competition.” Plaintiff does not identify the statute that Defendant allegedly violated. *See generally* FAC; Opp. However, in the FAC, Plaintiff alleges that Defendant committed an “unlawful, unfair and/or fraudulent business act or practice and unfair, deceptive, untrue or misleading advertising.” FAC ¶ 38. This tracks the language of California’s Unfair Competition Law (“UCL”), Cal. Bus. & Prof. Code § 17200. Accordingly, the Court construes Plaintiff’s claim for “statutory . . . unfair competition” as a claim under the UCL. The UCL creates a cause of action for business practices that are (1) unlawful, (2) unfair, or (3) fraudulent. Cal. Bus. & Prof. Code § 17200. Each “prong” of the UCL provides a separate and distinct theory of liability. *Lozano v. AT & T Wireless Servs., Inc.*, 504 F.3d 718, 731 (9th Cir. 2007). “The UCL’s coverage is sweeping, and its standard for wrongful business conduct intentionally broad.” *In re Anthem, Inc. Data Breach Litig.*, 2016 WL 589760, at *17 (N.D. Cal. Feb. 14, 2016).

Similarly, neither the FAC nor Plaintiff’s opposition discusses Plaintiff’s claim for “common law unfair competition.” In the prior motion to dismiss, the Court found that Plaintiff failed to state a plausible claim for relief because “the Court cannot determine what claim Plaintiff alleges.” ECF No. 64 at 17–18. Even after this guidance, however, Plaintiff does not identify the legal basis or elements of the common law unfair competition claim, cite any relevant cases, or explain which state’s common law the Court should apply. Defendant assumes that Plaintiff intends to state a claim for unfair competition under California common law, *see* Mot. at 7, which Plaintiff does not dispute, *see generally* Opp.

The Court agrees that it is appropriate to apply California law to Plaintiff’s claim. Federal courts must apply the forum state’s choice of law rules when dealing with common law claims over which they have supplemental jurisdiction. *Curtis v. Shinsachi Pharm. Inc.*, 45 F. Supp. 3d 1190, 1201 (C.D. Cal. 2014) (citing *Nelson v. Int’l Paint Co.*, 716 F.2d 640, 643 (9th Cir. 1983)). “[G]enerally speaking the forum will apply its own rule of decision unless a party litigant timely invokes the law of a foreign state. In such event [that party] must demonstrate that the latter rule

of decision will further the interest of the foreign state and therefore that it is an appropriate one for the forum to apply to the case before it.” *Am. Marine Corp. v. Blue Shield of Cal.*, 2011 WL 1399244, at *3 (N.D. Cal. Apr. 13, 2011) (quoting *Wash. Mut. Bank, FA v. Super. Ct.*, 24 Cal.4th 906, 919 (2001)). In the instant case, no party has invoked foreign law. Moreover, California “has a strong interest in protecting its citizens from trademark infringement and consumer confusion.” *Nissan Motor Co. v. Nissan Computer Corp.*, 89 F. Supp. 2d 1154 (C.D. Cal. 2000). Further, Plaintiff’s UCL and common law trademark infringement claims arise under California law. *See Am. Marine Corp.*, 2011 WL 1399244, at *4 (“[I]t is unclear why [foreign] law should apply to the second amended complaint when that complaint was filed in our district court in the Northern District of California, is devoid of any mention of [foreign] law, and instead asserts one of its claims under the California Business and Professions Code.”). Under California law, the tort of unfair competition is violated when a defendant “pass[es] off their goods as those of another [or] . . . exploit[s] trade names or trademarks.” *See Sybersound Records, Inc. v. UAV Corp.*, 517 F.3d 1137, 1153 (9th Cir. 2008)

Defendant asserts that Plaintiff’s “statutory and common law unfair competition claims” should be considered according to the same standard as Plaintiff’s claims for common law trademark infringement and Lanham Act unfair competition. *See Mot.* at 7. Plaintiff does not respond to this assertion, or separately discuss Plaintiff’s UCL and common law unfair competition claims.

The Ninth Circuit “has consistently held that state common law claims of unfair competition and actions pursuant to California Business and Professions Code § 17200 are ‘substantially congruent’ to claims made under the Lanham Act.” *Cleary v. News Corp.*, 30 F.3d 1255, 1263–64 (9th Cir. 1995); *see also Jackson v. Sturkie*, 255 F. Supp. 2d 1096, 1106 (N.D. Cal. Mar. 28, 2003) (noting that the Court’s analysis of plaintiff’s Lanham Act claims is determinative of plaintiff’s UCL claims). Here, Plaintiff’s UCL and common law unfair competition claims are premised on the same alleged conduct that underlies Plaintiff’s claims for common law trademark infringement and Lanham Act unfair competition. Specifically, Plaintiff alleges that Defendant

violated the UCL and committed common law unfair competition because Defendant “misappropriated Plaintiff’s goodwill associated with the [Muzook] Mark, using the Infringing Designation ‘MUZOOKA’ for Defendant’s own competitive advantage.” FAC ¶ 36. Plaintiff further alleges that Defendant is “willfully planning to misappropriate and/or is misappropriating Plaintiff’s Mark for Defendant’s own commercial advantage.” *Id.* ¶ 37. Accordingly, for the same reasons that the Court dismisses Plaintiff’s claims for common law trademark infringement and Lanham Act unfair competition, the Court GRANTS Defendant’s motion to dismiss Plaintiff’s UCL and common law unfair competition claims. *See Cleary*, 30 F.3d at 1263–64 (noting that state common law claims of unfair competition and actions pursuant to the UCL are “substantially congruent” to claims made under the Lanham Act, and considering all claims together).

D. Leave to Amend

Under Rule 15(a) of the Federal Rules of Civil Procedure, leave to amend “shall be freely given when justice so requires,” bearing in mind “the underlying purpose of Rule 15 to facilitate decisions on the merits, rather than on the pleadings or technicalities.” *Lopez*, 203 F.3d at 1127 (alterations omitted). The Court may deny leave to amend due to “undue delay, bad faith or dilatory motive on the part of the movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of allowance of the amendment, [and] futility of amendment.” *See Leadsinger*, 512 F.3d at 532.

In the instant case, the Court previously dismissed Plaintiff’s common law trademark infringement and Lanham Act unfair competition claims because Plaintiff failed to sufficiently allege an ownership interest in the Muzook Mark. The Court also dismissed Plaintiff’s unfair competition claim for failing to state the basis for the claim, and thus failing to plausibly allege a violation by Defendant. The Court’s order stated that “failure to cure the deficiencies identified in this Order will result in a dismissal with prejudice of Plaintiff’s claims.” ECF No. 64 at 19.

Plaintiff has failed to cure the deficiencies identified in the prior order, as Plaintiff still fails to sufficiently allege an ownership interest in the Muzook Mark. Although the Court did not previously rule on the validity of the assignment under § 1060(a)(1), that is because Plaintiff failed

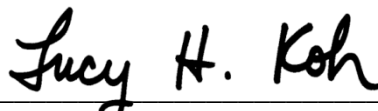
1 to provide the assignment, or the language or circumstances of the assignment, in the original
2 complaint or in Plaintiff's opposition to the first motion to dismiss. *See* ECF No. 1. Further, after
3 reviewing Defendant's arguments on the instant motion, Plaintiff submitted a declaration of
4 Miller, and on March 10, 2015, Plaintiff filed the December 7, 2015 assignment. Neither of these
5 documents cures the deficiencies in Plaintiff's allegations of ownership. Accordingly, the Court
6 concludes that permitting further amendment would be futile, would cause undue delay, and
7 would unduly prejudice Defendant. The Court grants Defendant's motion to dismiss with
8 prejudice. *See Leadsinger*, 512 F.3d at 532.

9 **IV. CONCLUSION**

10 For the foregoing reasons, the Court GRANTS Defendant's motion to dismiss with
11 prejudice.

12 **IT IS SO ORDERED.**

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14 Dated: March 14, 2016

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17 LUCY H. KOH
18 United States District Judge
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